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Investment Management

Weekly Investment Update

14th July 2023

News Headlines

UK economy – The Office for National Statistics (ONS) reported that the UK's GDP (gross domestic product) fell by 0.1% in May following a rise of 0.2% in April. Production output fell 0.6%, with the ONS stating that this was the main contributor to the fall in monthly GDP. Services output also showed no growth in May. The extra national bank holiday for the Coronation of King Charles is being blamed for the decline in growth due to affected normal business activity. In the three months to May, GDP has shown no growth.

According to the Office for Budget Responsibility (OBR), the UK government debt is to reach 310% of GDP by the 2070s, warning that the UK's public finances are in a "very risky" position. The chair of the OBR cited increasing interest rates, high inflation, and demographic changes happening more quickly than predicted as catalysts of increased pressure on the UK's public finances. A rapid succession of events over the past three years have pushed government borrowing to its highest level since the mid-1940s, with national debt at its highest level since the 1960s.

US inflation – Highly anticipated US inflation figures came in lower than expected this week. The rate of inflation dropped to its slowest pace in more than two years in June, rising by just 3% year-on-year, down from a peak of 9% in June 2022. Even though inflation has continued to decline, price increases still remain higher than the Federal reserve's annual target rate of 2%, meaning more interest rate hikes could come over the next couple of committee meetings. Core inflation, which excludes food and energy, has remained sticky in recent months, however, in June the core reading rose just 0.2% over the month which is the smallest monthly increase since August 2021.

Market Summary

Global Equities – Cooling inflation in the US helped push equities higher, with global equities on track for their biggest weekly rise this year as investors bet that the US Federal Reserve was nearing the end of its rate hiking cycle. Technology stocks once again benefitted from lower inflation readings, as investors piled back into risk assets. In the US, the Nasdaq 100 index was on track for its best weekly since March, posting a gain of 3.56%. In Asia, the Hong Kong Hang Seng index rallied sharply, up 5.72% for the week as technology stocks benefitted from the belief that the Chinese government will ease regulatory scrutiny of the country's biggest internet firms. In the UK and Europe, equities made back some of the ground lost last week, returning 2.60% and 3.08% respectively for the week as at Thursday's close.

Commodities – Commodity prices increased on the back of potential an interest rate peak in the US. Oil prices rose to their highest levels in almost three months on Thursday, while gold touched near one-month highs after its best weekly gain since April, helped by the US dollar hitting fifteen-month lows.

Fixed Income – The prospect of interest rate cuts next year and a swift end to interest rate hikes in the US at the next committee meeting in July saw sovereign bonds rally across the globe. The Bloomberg Global Aggregate index returned 2.38% for the week as at Thursday's close.

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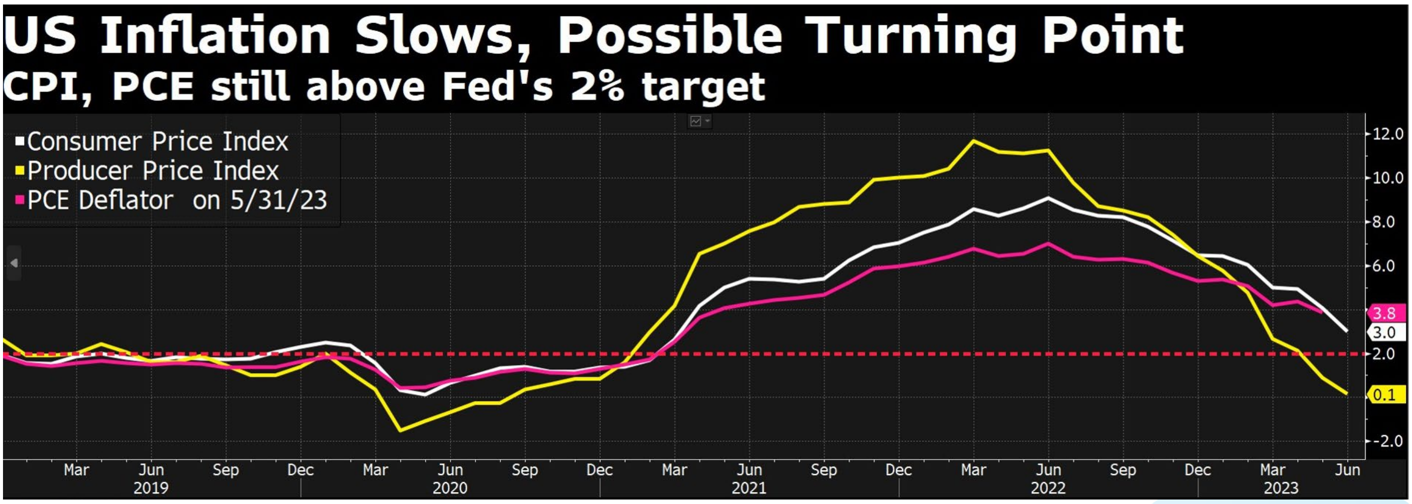
Chart of the Week



Source: Bloomberg – US inflation slows, but remains above target

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
- China GDP yy		- UK CPI yy - Eurozone inflation yy		- UK retail sales - Japan CPI yy

Market Performance – 14/07/2023

Global Market Indices	2023 YTD %*
FTSE 100	1.94%
S&P 500	18.51%
STOXX 600	11.46%
Nikkei 225	25.67%
Hang Seng	0.41%
Fixed Income	**Yield %**
UK 10 Yr Gilt	4.42%
US 10 Yr Treasury	3.76%
Commodities	**2023 YTD %**
Gold	7.00%
Currency	
GBP/USD	1.31 (14/07/2023)
GBP/EUR	1.17 (14/07/2023)

Source: FE Analytics/ Bloomberg.com **Total Return/Local currency*

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